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SUBJECT: IRAN: FM D'ALEMA SAYS ITALY FED UP WITH EU3;
EXPLAINS BANK MELLI OBJECTION

REF: 07 ROME 2477

Classified By: Ambassador Ronald P. Spogli for reasons 1.4 b and d.

¶1. (C) In a one-on-one meeting March 13, the Ambassador told FM D'Alema that Italy's tactics on Iran were not working) instead Italy was being isolated. D'Alema replied that Italy didn't want to be told again by a small group of countries what it had to do without having any input. He said others in the EU agreed with Italy's position and that 12 countries had supported Italy at the March 10 GAERC. D'Alema continued that Italy didn't have to be part of the P5 plus one, but did need to be included in some kind of wider consultation regarding EU and UNSC policy on Iran.

¶2. (C) Regarding Bank Melli, D'Alema said Bank Melli is involved in a one billion USD contract to produce rail cars for export to Iran and that between 4,000 and 6,000 jobs in Sicily and Calabria depend on this contract. The Ambassador asked if consulted to its satisfaction, what steps Italy would take in general and on Bank Melli in particular.

¶3. (C) D'Alema said Italy would support the position against Bank Melli, but needed time to find a way to get Bank Melli &out of the equation" i.e. to restructure the rail car deal so it could go forward without the involvement of Bank Melli. More time would be helpful. He concluded by saying that the heart of the matter for Italy was the EU process. Italy was tired of having three of its EU partners telling Italy what to do. Italy is taking it on the chin, he said, while others continued to be involved in profitable business deals with Iran.

¶4. (C/NF) Comment: This is the first we have heard of the one billion dollar rail deal. D'Alema could be referring to a 200 million Euro deal for rail cars the Italian company Keller Meccanica, located in Sardinia, inked with the government of Iran. SACE's chief economist told econoff on February 29 that SACE had moved their transactions away from U.S. sanctioned entities and did not see economic repercussions from additional EU or UN sanctions on specific entities. It is highly unlikely that an export involving such a large sum could be written without some involvement with SACE, the Italian Export Credit Agency. Over the past year and a half, SACE officials, at all levels, have repeatedly assured this Embassy, including the Ambassador personally, that SACE is issuing no new export credits to Iran. End Comment.

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